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SUBJECT: THE GAP BETWEEN RICH AND POOR IN SHENZHEN

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¶1. (SBU) Summary: Much attention is being given to China's growing rural-urban gap. At the same time, the gap within urban areas, between established residents and migrants from rural areas, is becoming more marked. Shenzhen, as China's richest city, enjoys unparalleled prosperity, yet at the same time it has more migrants than officially registered citizens. These migrants face serious challenges, most notably widespread wage defaulting on the part of employers. In addition, although Shenzhen allows some migrants workers to register as "temporary" residents, thus granting them access to social services, more than a million of its workers are still completely unregistered -- and disenfranchised. As new workers arrive in Shenzhen (and other Chinese cities) every day, more of them fall under this category, increasing the potential for urban unrest. End summary.

¶2. (SBU) With its recently announced plans to create the New Socialist Countryside, China's central government clearly signaled that it is paying close attention to the growing gap between the country's urban and rural areas. China's breakneck economic growth since the beginning of the reform and opening period in 1978 has been due largely to the build-up of the country's manufacturing sector, often at the expense of its agriculture. The idea was that eventually the riches would trickle down. However, the point is fast approaching where the delicate balance between promoting the country's overall growth and continuing to place rural areas in the backburner becomes untenable, a fact that has not escaped the Chinese leadership.

¶3. (SBU) One does not have to leave the confines of a large Chinese city to see the gap in action. As more and more migrants from rural areas file into the cities to take low-paying jobs and escape the poverty of the countryside, the gap is beginning to replicate itself in the cities, with the breach between prosperous urbanites and disenfranchised 'waidiren' ('outsiders') becoming more marked by the day. Some even suggest that real flashpoints of unrest in the future will not be the villages, which are relatively small and isolated, but the slums that are emerging as more migrants arrive in the cities, finding a reduced number of opportunities, and ultimately forming into an underclass.

A city of immigrants

¶4. (SBU) In exploring these issues in South China, Shenzhen is a good place to start because it, more than any other Chinese city, is truly a city of immigrants. Although the city lies right between the two largest Cantonese-speaking cities in the world, in Shenzhen Mandarin is the lingua franca for its population drawn from all parts of China. According to Cai Huanxing, of the Shenzhen Labor and Social Security Bureau, Shenzhen's permanent population of 8.2775 million includes 4.7 million registered migrant workers. These 4.7 million migrants are considered "temporary residents;" the rest of the permanent population holds a Shenzhen 'hukou' (household registration). Additionally, there are scores of unregistered migrant workers, whose numbers probably exceed one million. With a history that spans just over 25 years, Shenzhen can count few true natives. It is therefore safe to assume that most of its permanent population is originally from elsewhere. Of course, the experience of urban transplants from Beijing and other major cities has little in common with that of migrants from the impoverished countryside and inland provinces.

The lay of the land: From Eco-Square to Longgan

¶5. (SBU) Deng Xiaoping, Shenzhen's intellectual father, would be proud of the scene at Shenzhen's Ecological Square. Here, in the heart of a prosperous neighborhood, a true Chinese middle class is at play. The impact of China's

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opening-up, spearheaded by the creation of special economic zones (SEZ) in southern China (of which Shenzhen was the first) has few expressions more tangible than these merry, urbane folks walking their dogs and choreographing dance routines in a public space that is, literally, an ode to sustainable development. It is the success of people like these that have made Shenzhen the richest city in China, with the highest per capita income of the nation.

¶6. (SBU) Meanwhile, one does not have to leave Shenzhen's municipal limits to find the Pearl River Delta of dusty streets and decrepit buildings amidst which factories staffed by young men and women from the Chinese hinterlands toil away to churn out the goods that are cheaper to make in China, largely because these young laborers are abundant, and thus cheap. In between these two extremes, every restaurant, hotel and sauna in the city provides a perch from which young 'waidiren' can take a peek, as outsiders, at the other China, the one they were looking for when they left their hometowns. At that time, many, if not most of them, brimmed with excitement at the prospect of life in the South's gleaming metropolis.

Rude awakenings

¶7. (SBU) However, a new life in the big city is not necessarily a bed of roses. Working conditions in the Delta's factories can be rough, with stories heard of forced overtime, lockups, and even beatings. Usually lacking a 'hukou,' these migrants in effect become second-class citizens, with reduced or no access to social services. Their illegitimate status also makes them easy prey for unscrupulous bosses who pay them less than "legal" workers.

Wage defaulting

¶8. (SBU) The most prevalent and serious problem faced by Shenzhen's migrants is the wage defaulting by their employers. According to the China Daily, in 2005, some

1,300 Shenzhen companies were fined a total of USD 5.87 million for defaulting on wages, while workers recovered USD 35.8 million in withheld wages during the same period. During the lead-up to the Chinese New Year, the violation of workers' right almost becomes institutionalized, as many employers withhold wages in an attempt to force workers to come back after their trips home for the celebration.

¶9. (SBU) When wages are withheld, the Shenzhen authorities are ready to take "serious, effective measures" to help the workers get their money back, according to Cai. In fact, earlier this year, eight Shenzhen executives became the first defaulters to be criminally prosecuted in China. A recent edition of the Labor and Social Security Bureau's magazine featured an article on this prosecution, complete with pictures of the accused being presented to the public, handcuffed and wearing black hoods, and flanked by police. The initial thought that the hoods were provided to protect the suspects' anonymity was dispelled when it was noticed that their names were displayed on their standard-issue prison sweatshirts.

A need to placate the masses?

¶10. (SBU) A move towards a more heavy-handed approach serves more than just the pursuit of justice. As the gulf between rich and poor grows in China's major cities, giving concrete examples of how everyone is in fact equal before the law is essential in preserving social stability. In fact, the crackdown in Shenzhen came on the heels of much-publicized protests and work stoppages by unpaid laborers, and was perhaps aimed at placating the workers and discouraging others from following their example.

¶11. (SBU) People's patience as they "wait for their turn" may quickly wear thin if they perceive that the authorities are, even indirectly, sanctioning their plight in order to allow the privileged to get richer. In many locations in

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the countryside, this turning point has been reached. There the spark usually involves land, or more accurately inadequate compensation for it, aggravated by the corruption of local officials. In the cities, where land is basically a non-issue, in addition to wages, another potential bone of contention is the issue of the `hukou.'

`Hukou' save lives

¶12. (SBU) Although some estimates place 150-200 million Chinese living outside their official place of residence, without a `hukou,' a person may be unable to receive even basic public services in a given locality. Even bureaucratic procedures such as securing a permit to visit Hong Kong or Macau can only be undertaken in one's city of `hukou.' In effect, the `hukou'-less workers are undocumented aliens. According to one Delta resident, the discrimination that the `hukou' issue creates is even directly responsible for the deaths of children that, unable to attend school for lack of a `hukou,' are left unattended by their migrant-worker parents, and then fall to tragedy.

¶13. (SBU) Still, the issue of `hukou' reform is controversial, although there are a growing number of voices calling for it. Policymakers and urban residents alike fear that such a liberalization of the rules would lead to an even larger, potentially upsetting influx of more `waidiren' to the cities. The irony, of course, is that the large-scale, technically illegal migration that has occurred in China has been fundamental to China's, and the Delta's, remarkable economic growth in the past couple of decades, which has pumped disposable income into the pockets of, more than anyone else, city dwellers.

¶14. (SBU) Shenzhen is one step ahead of the game in this regard. Despite having a massive migrant-worker population, most of it does not face the 'hukou' issues that are so contentious for millions of migrants across the country. Since 1984, Shenzhen allows migrants workers to register as "temporary residents," a status that, while short of full "citizenship," still allows them to enjoy public service benefits such as education for their children and access to health care. Now, some 4.7 million migrants are considered "temporary residents" of Shenzhen. In most other major Chinese cities, there is no similar "in-between," and workers that cannot become officially registered (predictably, not an easy task) are often terribly disenfranchised.

¶15. (SBU) Still, not all of Shenzhen's migrant workers are registered. It is estimated that at least a million migrants are not registered at all. As the city continues to receive an influx of workers, which is expected, a larger percentage of the city's population may fall under this uncounted -- and disenfranchised -- category.

Urban concerns

¶16. (SBU) As the intra-urban gap grows, it is not just the migrants' dissatisfaction that could fuel problems. The more-established city dwellers are sometimes, more than just aloof or self-centered, hostile to the 'waidiren.' As we mentioned above, many city dwellers oppose 'hukou' reform, and this is partly because of concern about the strain that migrants place upon their cities. For others, the migrants are not only a negative force in their city, but in fact the alleged cause for some of their city's worst problems (which ostensibly did not exist in the past or were less of a problem). Yuan Yunzu, an organizer at the Disabled Workers' Service Center and Sichuan native, frankly said that city residents are often "afraid" of the migrants. One Guangzhou native expressed her view that migrants were "dirty" ('zang'), and that it was their bumpkin ways that made her city dirty and unsanitary. Meanwhile, a Hong Kong businessman attributed the rise in crime in both Shenzhen

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and Guangzhou to the increased presence of migrants, who prefer the easy way of making money.

Comment: Keep your eye on the cities

¶17. (SBU) For many China-watchers, the villages in the countryside are the place to watch as the concerns over social stability in China continue. Without detracting from that view, China's cities should not be discounted. As a scholar noted recently, unrest in the villages is relatively easy to quell, because of their small populations and their isolation. If something goes wrong in a major urban center, it could be a very different story.

¶18. (SBU) Moreover, cities are a gathering place for migrants from all over the country, where they can exchange stories and relate their experiences. Despite the large number of "incidents" in rural areas (even as reported by government authorities), the almost-negligible connection between these incidents is remarkable. Part of this is due to the fact that, again, these villages are relatively isolated, making it hard for the villagers to see their plight as part of a larger trend. Meanwhile, the cities can provide the perfect forum for that to occur.

¶19. (SBU) With its relatively forward-thinking attitude towards migrants, Shenzhen may be reducing its chances of being a focus for unrest. By allowing most of its migrants

to register, it enfranchises them, and makes them less likely to be critically disenchanted. At the same time, the city is the richest in China, and its outward signs of affluence may accentuate the gap between the haves and the have-nots. Recently, the city government fast-tracked the residency permit for a beauty queen from the Northeast, so that she could represent Shenzhen in upcoming events. The city leaders were probably motivated by civic pride, but for many `waidiren,' it was a slap in the face. Likewise, the wealth and prosperity that so many in Shenzhen enjoy, and of which the city leaders are understandably proud, may in other quarters cause resentment and, although we hope not, anger.

¶20. (SBU) What is clear, however, is that Shenzhen is a unique city, and its experiences may or may not apply across the board, even within the Pearl River Delta. In the coming months, we plan to explore these issues in other cities in South China.

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